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IN THE

Supreme Court of the United States

OCTOBER TERM, 1949.

No. 486

ROBERTSON ROCK BIT COMPANY, INC., INDUSTRIAL MANUFACTURING & TOOL CO., and COLIN T. ROBERTSON,

Petitioners,

v.

HUGHES TOOL COMPANY,

Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITIONERS' APPLICATION FOR WRIT OF CERTIORARI.

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INDEX.

PAGE

Table of Cases i

Statement of the Case 1

Point I. The Decision of the Court of Appeals That the Respondent Had Not Misused Its Patents Was Correct and Not in Conflict with Any Applicable Decision of This Court 2

Point II. The Court of Appeals and the District Court Properly Held the Patents in Suit to Be Valid 8

Point III. The Courts below Did Not Depart from the Accepted and Usual Course of Judicial Proceedings and Complied with Federal Rule of Civil Procedure No. 52(a) 9

Conclusion 10

TABLE OF CASES.

B. B. Chemical Co. v. Ellis, 314 U. S. 495; 86 L. Ed. 367 (1942) 6

Birbalas v. Cuneo Printing Industries, 140 F. (2d) 826 (C. C. A. 7, 1944) 7

Hughes Tool Company v. Owen, 123 F. (2d) 950 (C. C. A. 5, 1941) 7

Hughes Tool Company v. United Machine Co., 35 F. Supp. 879 (D. C. N. D. Texas, 1939) 7, 9

Hughes Tool Company v. Williams, 82 F. Supp. 408 (D. C. Okla., 1949) 7, 8

Williams Iron Works v. Hughes Tool Company, 109 F. (2d) 500 (C. C. A. 10, 1940) 9

Morton Salt Co. v. G. S. Suppiger Co., 314 U. S. 488; 86 L. Ed. 363 (1942) 6

Standard Oil Co. v. United States, 283 U. S. 163, 170, 171, 75 L. Ed. 926 (1931) 7

Straus v. Victor Talking Machine Co., 243 U. S. 490; 61 L. Ed. 866 (1917) 6

United States v. Masonite Corp., 316 U. S. 265; 86 L. Ed. 1461 (1942) 6

Wilson v. Simpson, 9 How. (50 U. S.) 109; 13 L. Ed. 66 (1850) 7

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STATEMENT OF THE CASE.

This is a patent infringement suit. The Petitioners for the writ of certiorari challenge the decree of the Court of Appeals on three grounds,—alleged misuse of patents, alleged invalidity of the patents in suit, and alleged violation of Rule 52(a) of the Rules of Civil Procedure.

There is no conflict of decision as to the validity of the patents in suit or as to the alleged misuse of patents by Respondent. On the contrary, other courts have reached the same conclusions reached by the Court of Appeals in this case. The statements in the petition and brief in support thereof suggesting a dispute of *law* on each of these issues are premised upon Petitioners' assertions of

facts, which assertions are not established in the record and were rejected by both the Trial Court and the Court of Appeals.

The alleged violation of Rule 52(a) of the Rules of Civil Procedure is based upon the alleged failure of the Trial Court to make fact findings as to conversion of Respondent's property by Petitioners. The only dispute as to this was with respect to the Respondent's title, as to which the Trial Court found for Respondent. This was in conformity with Rule 52(a) which requires findings only upon contested matters.

The Petition and Brief in support thereof, call attention to a dissenting opinion by Judge Sibley of the Court of Appeals. It is to be noted that Judge Sibley's dissent relates solely to the two bearing patents in suit (R. 336-340). Judge Sibley specifically concurred with the majority of the Court in finding the Scott and Garfield patent No. 1,983,316 to have made an advance in the art and to be valid (R. 337). Judge Sibley concurred in full with the decision of the majority of the Court on the first and third points raised in the Petition.

POINT I.

The Decision of the Court of Appeals That the Respondent Had Not Misused Its Patents Was Correct and Not in Conflict with Any Applicable Decision of This Court.

The Petitioners urge that the Respondent has misused its patents and prevented the "repair" and "sharpening" of its bits and urge that the decisions of the Trial Court and the Court of Appeals in Respondent's favor on this issue are in conflict with decisions of this Court. The Courts below applied well-established law. Their disagreement with Petitioners' position was not as to any question of *law* but as to the *facts.*

Petitioners (Brief, pp. 8, 10-11) suggest that Respondent markets its bits by sales to supply houses who in turn sell them to drilling contractors. Petitioners state (Brief, p. 10) that "the proof is conclusive that Hughes Tool sells its bits, in the same way that an automobile manufacturer sells automobiles." The proof is to the contrary (R. 59-67, 71, 198-199, 360), and the Trial Court (R. 299) and the Court of Appeals (R. 324) found to the contrary.

Rock bits are used under widely varying drilling conditions. Rocks vary in hardness, in tilt, and abrasiveness (R. 29) and depending upon depth, nature of the rock, and the bit used, a single bit may drill from 1 foot to 3,000 feet (R. 31). Under these conditions, selection of bits for the specific conditions being encountered is of great importance and the distribution of rock bits is not an over-the-counter matter. Further, since there can never be an eye witness to the actual drilling of a bit (which may be one, two or three miles underground), intensive study and research is constantly required.

The Respondent maintains a field organization in the active rotary drilling areas of the country. Respondent's field men deliver new bits directly to the drilling rigs, observe the performance of the bits, keep records of the formations drilled, hours on bottom, depth drilled, etc. (R. 60-62). The worn bits are picked up by the field men and brought back to Respondent's warehouse. The field men examine every worn bit and in any instance in which an abnormal condition is observed, the bit is referred to a District or Division Manager or to a Division Engineer (R. 60-62). When one of these men believes the worn bit should be further examined, it is sent to Respondent's plant at Houston (R. 60, 62). The percentage sent to the laboratory at Houston varies from time to time from 2 or 3% to 12½ or 15% or higher (R. 146-7). Each bit

bears a serial number by which it is identified when originally delivered to the drilling rig and by which it can be identified when returned to Houston (R. 63). Worn bits, sent to the laboratory in Houston, are accompanied by a report from a field man showing the performance of that particular bit (R. 60). At the laboratory the bit is examined and referred to appropriate personnel—for example, the Metallurgical Department and the shop (R. 62-3).

The Respondent's field representatives constantly keep in touch with drilling conditions and the performance of Respondent's bits. They endeavor to secure as to each bit information as to how many feet of hole were drilled, how many hours were required, kind of formation drilled, the weight carried on the bit, and all important factors required to evaluate performance (R. 63). This information, together with observation of the worn bits, and in instances laboratory examination of worn bits, is of great value in Respondent's efforts to constantly improve its products and is of direct value to drilling contractors to whom the information is made available (R. 63-64). Not only does this information, including that secured from examination of worn bits, help in correcting any deficiency, but it also serves Respondent as an historical record of what specific bits have done in different formations. Thus an accurate standard of comparison exists upon the basis of which any new bit can be evaluated (R. 64).

In order that Respondent's distribution practice function effectively as an essential part of Respondent's efforts to maintain and develop the quality of its products and provide service to its customers, it is necessary that Respondent have unquestioned right to its used bits. Accordingly each bit is marked on the body of the bit itself as the property of the Respondent (R. 71). The bits are

not sold; they are leased. Each is delivered with a delivery report signed by the driller or his representative. The delivery report (R. 360) bears the legend:

> "Hughes Roller Rock Bits and all Core Bit Heads are never sold but are leased. When the original cutter teeth and/or bearing have served their useful life, the user will surrender the bits to Hughes Tool Company upon request. In accepting delivery, the user agrees not to surrender any of the tools as mentioned above to other than a duly authorized representative of the Hughes Tool Company."

The Petitioners apparently have no field organization comparable to Respondent's, but Petitioners, like other rock bit manufacturers (R. 182), employ a similar lease agreement which reads (R. 176):

> "Roller rock bits, and all cone bit items are never sold but leased. When original cutter teeth and all bearings have served their usable life, the user will surrender the bits to Robertson Rock Bit Company, Inc. upon request. When accepting delivery, the user agrees not to surrender any Robertson Rock Bit Company, Inc. bit, or bit material, to other than an authorized representative of the Robertson Rock Bit Company."

Petitioners state (Brief, p. 10) that the Respondent requires the return to it of used bits "in order to prevent the driller from sharpening the teeth by welding new tips on them, the way all heavy tools are sharpened (R. 181-182)". The record does not support this save for assertions contained in the Petitioners' statement. The record shows the reasons for and advantages to the industry resulting from Respondent's research policy as pointed out above.

Petitioners make a similar assertion (Brief, p. 7) that the Respondent's lease was adopted in order to stop rebuilding of its bits. This is likewise not the fact and the assertion is not supported in the record.

Petitioners (Brief, p. 7) state that after bits have been used, it is "practical" to have metal added to the teeth and then make use of the bits to depths of 2,000 feet. This categorical statement is not supported in the record. The inference from Petitioners' statement is that in all, or at least most, cases, this is "practical". The record shows the contrary. Although Petitioner Robertson testified that it was "practical" to use rebuilt bits to a depth of 2,000 feet, he subsequently qualified this by pointing out that the bearings should not be so loose as to be "dangerous" (R. 169); that all portions of the bit, including the bearings wear with use (R. 179); and that in his experience only 3 or 4 bits out of 20 can be retipped (R. 184-185). He further testified that there is no question that running a rebuilt bit increases the risk of "getting into trouble". (R. 183).

From the foregoing it will be apparent that the unanimous decision of the Court of Appeals and the decision of the Trial Court, that Respondent's marketing method is reasonable and fair, is based upon the convincingly proved facts found by those Courts and that there is no conflict between the concurring decisions below and the decisions of this Court in *Straus* v. *Victor Talking Machine Co.*, 243 U. S. 490, 61 L. Ed. 866 (1917); *United States* v. *Masonite Corp.*, 316 U. S. 265, 86 L. Ed. 1461 (1942); *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488, 86 L. Ed. 363 (1942) and *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495, 86 L. Ed. 367 (1942), referred to by Petitioners (p. 11, 14).

Petitioners urge (pp. 10-12) that Respondent has been guilty of misconduct by bringing sequestration or replevin suits. This is alleged to be unclean hands on the basis of Petitioner's assertion that "the proof is conclusive" that Respondent sells and that the lease is a mere pretense. The proof is to the contrary and Petitioners' disagreement

with the Courts below is not as to any legal principle but as to the "proof". The concurring findings of the Courts below that Respondent leases and does not sell, and that the lease is not a mere pretense is amply proved in the record (R. 59-65, 71, 360) and is confirmed by other decisions to the same effect. *Hughes Tool Company* v. *United Machine Company,* 35 F. Supp. 879 (D.C. N.D. Texas, 1939); *Hughes Tool Company* v. *Owen,* 123 F. (2d) 950 (C.C.A. 5, 1941); *Hughes Tool Company* v. *C. F. Williams, Jr.,* 82 F. Supp. 408 (D. C. Okla., 1949).

The Petitioners charge (pp. 12-13) that Respondent has misused its patents by charging that the "repair" of its bits constitutes infringing reconstruction. This is said to have been an erroneous contention in view of *Wilson* v. *Simpson,* 9 How. (50 U.S.) 109, 13 L. Ed. 66 (1850). In each of the cases to which Petitioners refer (p. 12) the Respondent's position and the Court's decision were not at variance with *Wilson* v. *Simpson,* which involved repeated replacement in accordance with the obvious intention of the vendor of cutter elements secured by bolts or screws to a cylinder or disc in a planing machine. The majority of rock bits can be used only once (R. 184), and in the minority of instances in which a bit can be rebuilt, it must be used cautiously and only near the surface of the ground (R. 181). Thus Petitioners' disagreement with Court decisions in other cases is not as to the legal principles involved, but as to the facts which those Courts found contrary to Petitioners' position.

The "agreements" referred to by Petitioners (p. 13) were either settlements or efforts to settle pending litigation. Settlements of controversies are favored and not condemned by public policy. *Standard Oil Co.* v. *United States,* 283 U. S. 163, 170, 171, 75 L. Ed. 926 (1931); *Birbalas* v. *Cuneo Printing Industries,* 140 F. (2d) 826

(C.C.A. 7, 1944). The Spengler agreement, to which Petitioners refer (p. 13) involved purchase by Respondent in 1932, prior to the issuance of any of the patents here in suit, of materials on hand and the business of Spengler (R. 159). It is in no way relevant.

Petitioners' point on misuse is summarized (p. 13) as follows:

> "The use of patents and of pretended leases of the patented tool, in a drive to prevent legitimate repair, is, we submit, a manifest misuse of patents."

The courts below disagreed with the factual assertions in this argument. The courts below concurred in finding that the leases were real and legitimate and, in other cases where the matter was directly involved for adjudication, the rebuilding of Respondent's bits was held not to be "legitimate repair" but patent infringement. Thus the dispute sought to be raised by Petitioners is not a dispute as to any legal principle but is a factual dispute as to which the concurring decisions of the courts in this case and of courts in other cases have been contrary to Petitioners' contention.

POINT II.

The Court of Appeals and the District Court Properly Held the Patents in Suit to Be Valid.

The Petitioners raise no important legal questions with respect to the validity of the patents in suit. There is no conflict of decision with respect to them. The Scott and Garfield patent No. 1,983,316 has been sustained by the District Court and the unanimous decision of the Court of Appeals in the present case and also in *Hughes Tool Company* v. *Williams,* 82 F. Supp. 408 (D. C. Okla., 1949). The Garfield and Scott patent No. 2,030,442 was sustained

in the present case by the District Court and by the majority of the Court of Appeals, and also in *Williams Iron Works* v. *Hughes Tool,* 109 F. (2d) 500 (C.C.A. 10, 1940) and *Hughes Tool Company* v. *United Machine Co.,* 35 F. Supp. 879 (D.C. Texas, 1939).

The Petitioners' argument for invalidity (pp. 14-16) is based on the postulate that the patents in suit are on "trivial changes" and "old ideas". The District Court (R. 299) and the Court of Appeals (R. 330-332) both found against Petitioners on the facts. Both courts found, as other courts have found, that the patents in suit disclosed new structures which contributed materially to the drilling industry. The record abundantly supports the findings (R. 27-31, 39-45, 47-53, 54, 56, 93, 117, 119-142).

The validity of the patents in suit was properly found by both courts below. The legal principles involved are well established and not in dispute. Petitioners err on the facts.

POINT III.

The Courts below Did Not Depart from the Accepted and Usual Course of Judicial Proceedings and Complied with Federal Rule of Civil Procedure No. 52(a).

Petitioners urge (pp. 17-18) that there was not an ample finding to support the injunction against further conversion by the defendants. Rule 52(a) specifically authorizes incorporation of findings in an opinion or memorandum of decision. The notes of the Advisory Committee on Rules of Civil Procedure point out that:

> " * * * the judge need only make brief, definite, pertinent findings and conclusions upon the contested matters".

There was no issue as to the acts of the Petitioners. Robertson, who controlled both corporations, admitted taking

possession of and using bits of Respondent's manufacture (R. 145, 173) which were marked as Respondent's property (R. 71). But Petitioners asserted that Respondent sold, and did not lease, its bits. The Trial Court found the transactions to be leases (R. 299). This was the contested matter.

CONCLUSION.

Respondent submits that no occasion exists for granting the application for certiorari. No conflict of decision, either as to the specific subject matter or as to the pronouncement or application of the rules of law, and no unusual or new questions of law are presented. The Petitioners assert errors of law only by assertions of fact not supported in the record and contrary to the concurring findings of the Courts below.

Respectfully submitted,

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